

[Pension pots of gold](#) [1]

Written by [Jan Boucek](#) [2] | Tuesday 10 April 2012



Large pots of money invariably draw politicians like bees to honey, especially when those bees are already sucking dry every other pot in sight.

A few weeks ago we [praised](#) [3] the idea of doing away with Britain's current pension arrangements in favour of a simple large annual ISA allowance from which money could be taken tax free at an appropriate retirement age. Our big concern was the obvious temptation for politicians to swarm around these ISA pots and fiddle away their simplicity over time.

Now comes [news](#) [4] that 34 London councils are discussing merging their various pension schemes into one giant fund to reduce administration costs. On the face of it, this sounds like a reasonable proposition to create a fund with some £30 billion of assets. Proponents of the scheme point to the Ontario Pension Board which manages the pension savings of government employees for Canada's largest province.

However, the flashing red light in the London proposal is the suggestion that the new fund could direct as much as 7.5% of its assets into local infrastructure projects. Oh, oh! Is that the sound of swarming bees?

Indeed, it is. Boris Johnson, the King Bee of London, is shameless in his intentions. "What London needs is a serious infrastructure investment fund," he is quoted as saying. "It is mystifying that these pension funds are sitting on huge quantities of British assets and investing them around the world. And not here where they would get a fantastic return."

Bzzzzzzz. Let's take that one apart. "Mystifying"? There's nothing mysterious about pension funds fulfilling their duty to get the best possible return for their prospective pensioners. "Fantastic return"? If London infrastructure was just that then the funds would already be investing there.

And this is just good ole Boris talking. Imagine what a really serious statist would do with such a big pot. If there was a lesson from Robert Maxwell it was that pension funds shouldn't invest in their employer - that just doubles the risk to the employee.

Looking at the Ontario Pension Board's [investment objectives](#) [5], it's all about security and acceptable risk, not dedicating specific funds to politicians' latest wheeze. Indeed, about a third of its assets are in Boris's "around the world" equities. Then it's the usual prudent mix of Canadian equities, real estate and

government bonds.

So, by all means, go ahead and merge the London council funds to benefit from economies of scale but don't go telling them where to invest, especially not in your own pet projects. That really would be a granny tax.

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